

Approved: 1/24/96 ka
Date

MINUTES OF THE HOUSE COMMITTEE ON BUSINESS, COMMERCE & LABOR.

The meeting was called to order by Chairman Al Lane at 9:05 a.m. on January 18, 1996 in Room 526-S of the Capitol.

All members were present except: Rep. Vaughn Flora - excused
Rep. Broderick Henderson - excused
Rep. Gary Merritt - excused

Committee staff present: Jerry Donaldson, Legislative Research Department
Bob Nugent, Revisor of Statutes
Bev Adams, Committee Secretary

Conferees appearing before the committee: Reggie Davis, KDHR
Bill Layes, KDHR
Bill Wempe, Kansas Insurance Dept.

Others attending: See attached list

The first order of business was to approve the minutes of January 11, 1996. A motion was made by Rep. Geringer to approve the minutes as written. Rep. Packer seconded the motion. The motion carried.

Reggie Davis, Director of the Division of Employment Security with the Kansas Department of Human Resources (KDHR), briefed the committee on the actions taken by the Employment Security Advisory Council and gave their recommendations. They met several times to consider issues raised by the Special Committee on Labor and Industry and their recommendations are included in his written testimony. (see Attachment 1) He concluded by answering questions from the committee. A request was made of Mr. Davis by the Chairman to send a list of the Employment Security Advisory Council to the committee.

Bill Layes, Chief of Labor Market Information Services with the KDHR, spoke to the committee about the status of the Employment Security Trust Fund and the effects of **HB 2305** (the moratorium on unemployment taxes for CY1995 and 1996) on the fund. The status of the trust fund is excellent with reserves at \$688M. Because of the low unemployment rate and sustained interest earnings, the fund has an improved balance beyond the original estimates made when the bill was passed. (see Attachment 2) Another handout contains key facts about Unemployment Insurance and the Kansas Economy for FY 1994 and 1995. It also includes a history of labor force movements for 1985-1995 and projections for 1996 and 1997. On the back pages are the Unemployment Insurance Tax Moratorium Survey sent to employers and selected comments from employers on moratorium tax uses. (see Attachment 3) Mr. Layes ended by answering questions from the committee.

Bill Wempe, Supervisor of the Fire and Casualty Division of the Insurance Department, appeared before the committee to talk about the loss cost method of calculation for Workers Compensation Insurance. (see Attachment 4) The primary mission of the Insurance Department is to regulate the 800 property and casualty insurance companies licensed to do business in Kansas. His division is in charge of the regulation of rules, rates and forms that are used by these companies in Kansas. The Workers Comp Insurance is a major part of his division. The National Council on Compensation Insurance (NCCI) sets the rates for Workers Comp and recommends them to the Insurance Department. The rates are sent to an independent actuary for review and then are presented to the Insurance Department for their final decision. They have made a change recently to the loss cost method of calculation (the first filing was June 1, 1995). The insurance companies report their premium losses to the NCCI and also their company expenses. These expenses are called a loss cost multiplier. To find the rate for a insurance company, they use both the loss cost and the multiplier to find that company's rate. The lower the multiplier the lower the premium. This means that companies charge different rates for their coverage. This change has been more burdensome for the Insurance Department. The new loss cost rates from the NCCI is expected in early or middle February. Mr. Wempe finished his briefing by answering questions from the committee.

The meeting adjourned at 10:09 a.m.

The next meeting is scheduled for January 19, 1996.

HOUSE BUSINESS, COMMERCE & LABOR COMMITTEE
GUEST LIST

DATE January 18, 1996

NAME	REPRESENTING
PAUL BICKNELL	KDHR
Linda Tierce	KDHR
Bill Laves	KDHR
Gim Capparella	Intern
JASON PITTSBURGER	BRAO SMOOT
Roger Aeschliman	KDHR
Arlan Holmes	Division of Budget
JOHN KIEKHABER	Ks. HEALTH CARE ASSN.
Roger Trautle	FFC
J.A. Todd	KSJJA
DON SNOBRASS	KANSAS FOOD DEALERS ASSN.
Dick Cook	KS Ins. Dept.
Bill Wempe	KS Ins DEPT
Tom Slattery	AGC of Ks
Roger Meyer	Cap. journal
Terry Leatherman	KCCI

TESTIMONY

Committee on Business, Commerce and Labor
January 18, 1996

Good morning Mr. Chairman and members of the committee. My name is Reggie Davis and I am the Director of the Division of Employment Security with the Department of Human Resources. I appear before you this morning to provide a briefing on the actions taken by the Employment Security Advisory Council and their recommendations.

The Employment Security Advisory Council met several times to consider issues raised by the Special Committee on Labor and Industry. Their recommendations are as follows:

1) The Advisory Council appointed a subcommittee to consider four statutory changes offered by a representative of Employers Unity Inc. The four recommendations were: (1) changing the law to establish that the employee must establish, by a preponderance of evidence, good cause for the absence or lateness; (2) eliminating the list of circumstances under which a discharged employee may not be disqualified for benefits; (3) disqualification for benefits for non-work related misconduct; and (4) the insertion of "is unemployed or" to the current law which reads "was separated" from employment due to misconduct or leaving work voluntarily without good cause.

After the subcommittee's report the Council voted unanimously to not recommend the four changes to the legislature.

2) The Council discussed efforts by other states which utilized trust fund interest monies for financing job training efforts. They

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Attachment 1

looked into both the Oregon and Nebraska plans. As a result of their deliberation, the Council did not recommend that Kansas establish a State Trust Fund. All members were in agreement that the Employment Security Trust Fund should not be used for any other purpose than Unemployment Compensation.

3) The Council, by unanimous vote, recommended extending the moratorium to a third year.

4) The Council considered the two issues embodied in HB 2540.

a) On the first issue, the Council by a simple majority, voted to recommend the method for calculation of employer contribution rates be changed from a reserve ratio formula to a benefit ratio formula. However, their recommendation was made with the condition that some type of surcharge be added to the highest benefit users so they would more adequately pay their fair share.

b) On the second issue, the Council voted unanimously to not increase the taxable wage base.

Each year the Employment Security Advisory Council considers suggestions from Department staff as to possible changes to the Employment Security law. As a result of this process, the Council makes the following recommendations and respectfully requests that they be introduced in bill form by this committee.

1) In its September meeting, the Council voted unanimously to forward a proposal with a favorable recommendation that Kansas implement the federal withholding provision. Withholding of income tax from unemployment compensation was mandated on December 8,

1994, by amendments made by P.L. 103-465, commonly known as the General Agreement on Tariffs and Trade (GATT). This legislation requires that states deduct and withhold federal income tax from unemployment insurance benefits if the individual so elects. The U.S. Department of Labor provided states with draft legislation to implement the voluntary withholding program. The law needs to be in place for payments made on and after January 1, 1997.

2) The Clarification of Election for Good Cause (KSA 44-710(e)(1)(E)) amends current law to clarify the effective date of a retroactive election to become a reimbursing employer under Employment Security Law.

3) The Statute Relating to Unemployment Insurance Benefits on Back Pay Awards (KSA 44-706(s)) should be amended to clarify when the employer or the claimant is to reimburse the Department of Human Resources for the unemployment benefits when a back pay award is made.

4) To Repeal the Statute Relating to Protection Against Self-Incrimination (KSA 44-714(j)). This eliminates the Departments provision against self-incrimination which is a duplication of the privilege provided under the Fifth Amendment to the U.S. Constitution.

This concludes my briefing on the actions taken by the Employment Security Advisory Council.

STATUS OF EMPLOYMENT SECURITY TRUST FUND
JANUARY 18, 1996

Good morning Mr. Chairman and members of the committee. My name is Bill Layes and I am the Chief of Labor Market Information Services with the Kansas Department of Human Resources. This morning I appear before you to report on status of:

1. The Employment Security Trust Fund,
2. Moratorium on UI Taxes (HB2305, 1995 session).

A paper describing recent fund history is before you.

Status of the Unemployment Insurance Trust Fund

The current status of the trust fund is excellent. While Kansas has had the fortunate opportunity to provide a zero tax rate during CY1995 to 45,000 employers, the current trust fund remains solvent with reserves at \$688M. Measures of adequacy maintained by the U. S. Department of Labor rank Kansas among the top ten funds in the nation.

The current Kansas total unemployment rate for November 1995 is 3.9 per cent and the insured unemployment rate (the rate for Kansans eligible to claim benefits) stands at about 1.5 per cent. This insured unemployment rate is the lowest rate in Kansas since 1973. Benefits paid during SFY1995 totaled \$155.3M compared to \$174.8M for SFY1994. A graph of total unemployment rates for the United States and Kansas is shown on page two of the larger document. Page three shows a history of the labor force movements from FY1985-1995 and projections for FY1996-1997. The table reflects revised projections prepared for the annual state budget.

Principal growth in the Kansas economy has been due to strengths in the service-producing

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Attachment 2*

industry. During the last eleven years the state recorded a 28 per cent increase in employment in service-producing industries. A phenomenal 54 per cent increase was likewise recorded in the services category itself. The services industry contains businesses such as legal services, hospitals and health services, personal services, and general business services. A lesser degree of growth has been recorded in the goods-producing industries. Manufacturing showed a slight increase of nine per cent from FY1985-1995. Construction also recorded an increase of 18 per cent over this 11 year period. Mining, however, has dropped 53 per cent largely due to a decrease in oil exploration. The table below summarizes change by industry from SFY1985 to SFY1995.

Wage and Salary Employment
(thousands)

<u>Industry</u>	<u>State Fiscal Year</u>		<u>Per Cent Change</u>
	<u>1995</u>	<u>1985</u>	
All Industries	1,185.8	967.2	22.6
Goods Producing Industries	251.5	236.8	6.2
Mining	8.3	17.5	-52.6
Construction	51.3	43.2	18.8
Manufacturing	191.9	176.1	9.0
Service Producing Industries	934.3	730.4	27.9
Transportation & Public Utilities	69.6	64.4	8.1
Wholesale and Retail Trade	286.8	242.8	18.1
Finance, Insurance, and Real Estate	58.6	52.1	12.5
Services	283.1	183.8	54.0
Government	236.2	187.3	26.1

Moratorium On Unemployment Tax

The 1995 session of the Kansas Legislature enacted HB2305 which provided for a moratorium on unemployment taxes for CY1995 and 1996. This bill contained four major features.

1. Zero tax for employers eligible for an experience rating (45,000 employers),
2. New employers received a tax reduction (11,000 employers),
3. CY1997 tax rates following the moratorium are to be "phased-in",
4. Measures created to protect fund solvency.

The graph on page four compares our original estimate of the trust fund balance as discussed at the last legislative session. Our original estimate called for a trust fund balance of approximately \$500M at the end of the two-year moratorium. This was based on an insured unemployment rate of 1.9 per cent. While a decrease in trust fund balance of this sort is still possible, it remains unlikely. We now believe a more realistic trust fund balance at the end of 1996 could be in the neighborhood of \$600M. This improved balance for the trust fund is a result of:

1. A significant decrease in the level of unemployment from earlier periods and
2. Sustained interest earnings. (\$51.4M during CY1995)

Survey of Moratorium Tax Uses

In response to interest expressed by this body, the Kansas Department of Human Resources has conducted an employer survey to get some indication as to how the tax savings were utilized. The survey was unscientific and provides only anecdotal responses from various employers. It is not intended to reflect any findings for the total employer community.

A description of the mail survey may be found on page six of the larger paper. Individual employer comments are listed on pages seven and eight.

This concludes my testimony concerning HB2305, the moratorium on unemployment insurance tax. I will respond to questions.

CURRENT FINANCIAL POSITION OF
THE KANSAS UNEMPLOYMENT INSURANCE
BENEFIT TRUST FUND

... PREPARED FOR
BUSINESS COMMERCE AND LABOR COMMITTEE
MEETING OF JANUARY 18, 1996

WAYNE L. FRANKLIN, SECRETARY

KANSAS DEPARTMENT OF HUMAN RESOURCES
DIVISION OF STAFF SERVICES
LABOR MARKET INFORMATION SERVICES

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& Labor Committee
1/18/96
Attachment 3*

EXECUTIVE SUMMARY

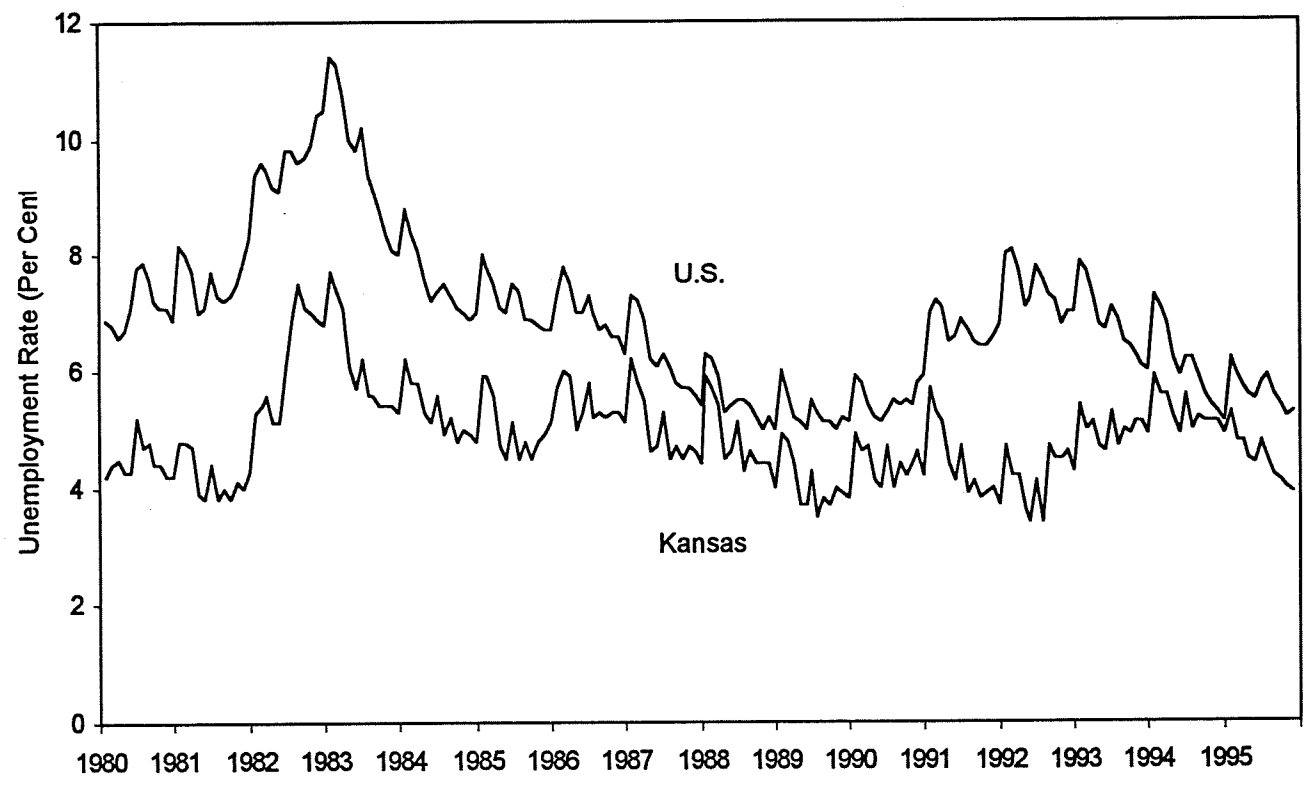
KEY FACTS

Unemployment Insurance and the Kansas Economy
State Fiscal Years 1994 and 1995Total Unemployment Rate

<u>Area</u>	<u>State Fiscal Years</u>		<u>November</u>
	<u>1995</u>	<u>1994</u>	<u>1995</u>
United States.....	5.7	6.5	5.3
Kansas	4.9	5.2	3.9
Kansas City MSA.....	4.3	4.6	3.2
Topeka MSA.....	4.9	5.0	4.2
Wichita MSA	5.4	6.1	4.4

	<u>State Fiscal Years</u>	
	<u>1995</u>	<u>1994</u>
• Number of persons who received weekly payments	57,514	61,596
• Number of weekly payments	806,753	929,979
• Weekly maximum UI benefits range (minimum to maximum). Benefit payments are based on a claimant's prior earnings in insured work.	\$63.00 - \$255.00	\$62.00 - \$250.00
• Total paid in UI benefits	\$155.3M	\$174.8M
• Average time a claimant drew benefits (weeks)	14.0	15.1
• UI Contributions paid by Kansas employers	\$110.0M	\$178.2M
• The average interest rate on funds held in the U.S. Treasury was 6.76% in calendar year 1994.		
• Insured Unemployment Rate during 1995 was the lowest since 1973.		

Graph 1
U.S. and Kansas Unemployment Rates
CY 1980 - 1995



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Table 1
Kansas Labor Market Summary
1985 - 1995 Actual; 1996- 1997 Projected
July - June State Fiscal Years

Period	FY85	FY86	FY87	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97
Civilian Labor Force--Place of Residence Data													
Civilian Labor Force	1,220,141	1,237,470	1,248,863	1,279,093	1,282,995	1,282,183	1,271,755	1,288,348	1,324,801	1,326,405	1,343,804	1,350,600	1,366,500
Employment	1,157,931	1,173,250	1,182,789	1,216,657	1,227,651	1,229,059	1,213,366	1,237,047	1,262,870	1,257,459	1,277,862	1,292,600	1,307,500
Unemployment	62,210	64,220	66,074	62,436	55,344	53,124	58,389	51,301	61,931	68,946	65,942	58,000	59,000
Unemployment Rate	5.1	5.2	5.3	4.9	4.3	4.1	4.6	4.0	4.7	5.2	4.9	4.3	4.3
Nonfarm Wage and Salary Employment--Place of Work Data (in thousands)													
All Industries	967.2	975.0	992.0	1,021.1	1,051.1	1,077.3	1,089.8	1,106.7	1,122.7	1,147.4	1,185.8	1,206.4	1,222.2
Goods Producing Industries	236.8	232.9	230.9	234.1	233.5	236.1	236.1	236.7	236.5	241.6	251.5	253.7	255.9
Mining	17.5	15.0	11.0	11.2	9.7	9.6	10.2	9.5	8.9	8.5	8.3	8.1	8.0
Construction	43.2	42.9	45.0	43.7	40.5	41.0	41.2	43.7	44.7	47.7	51.3	51.8	52.2
Manufacturing	176.1	175.0	174.9	179.2	183.3	185.5	184.7	183.5	182.9	185.4	191.9	193.8	195.7
Service Producing Industries	730.4	742.1	761.1	787.0	817.6	841.2	853.7	870.0	886.2	905.8	934.3	952.7	966.3
Transportation & Public Utilities	64.4	63.1	62.3	63.5	65.2	66.9	65.5	65.5	64.5	67.1	69.6	70.4	71.3
Wholesale and Retail Trade	242.8	245.0	249.6	255.7	263.7	267.5	268.4	270.5	272.2	277.9	286.8	291.6	290.3
Finance, Insurance & Real Estate	52.1	53.6	55.7	57.5	57.9	58.1	58.4	57.8	57.8	58.7	58.6	59.1	59.7
Services	183.8	189.6	197.5	208.2	223.1	237.5	245.0	254.3	263.3	271.1	283.1	291.6	300.9
Government	187.3	190.8	196.0	202.1	207.7	211.2	216.4	221.9	228.5	231.0	236.2	240.0	244.1
Other Categories													
Farm Employment	64.0	64.0	60.3	57.5	57.0	57.5	55.6	52.3	53.7	52.2	57.2	56.6	56.0

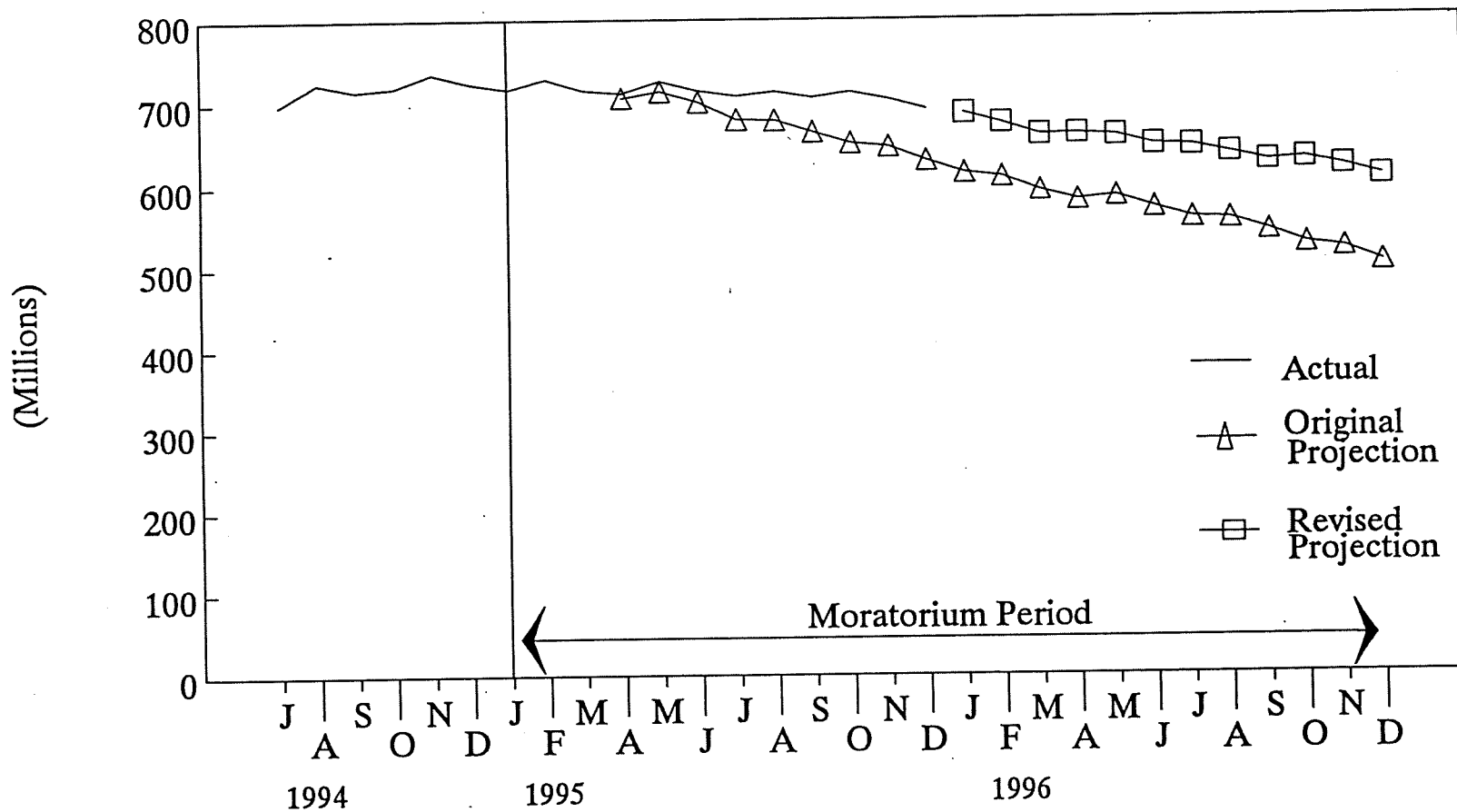
10/06/95 Kansas Department of Human Resources, Labor Market Information Services, phone (913)296-5058. Developed in cooperation with the U.S. Bureau of Labor Statistics.

Note: Labor force estimates beginning in January 1990 are not comparable with earlier data; FY91 and later figures (especially labor force and employment) are therefore not comparable with earlier fiscal year figures. Additionally, labor force estimates beginning in January 1994 are not comparable with earlier data; FY94 figures (especially unemployment) are therefore not comparable with earlier fiscal year figures.

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Graph 2
Reserve Fund Balance
Actual July 1994 - Projected Dec. 1996



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3-5

MAJOR FEATURES OF HB2305 MORATORIUM ON UNEMPLOYMENT INSURANCE TAXES

Most Employers Receive Zero Tax Rates

- A total of 45,000 employers received a zero tax rate for calendar years 1995 and 1996. Had the moratorium not been in place, the range of rates would have been 0.05% - 3.68%.

New Employers Rates Reduced

- New employers (11,000) received a reduced tax rate of 1.0 per cent. Without the moratorium, rates would have ranged between 3.44% - 5.06%.

CY1997 Tax Rates To Be "Phased-In"

- Calendar year 1997 tax rates will be "phased in" and reduced to prevent a windfall following the two year period of zero rates. Effective CY 1995, the Fund Control Schedule in K.S.A. 44-710a was adjusted downward to reduce the level of taxes on total wages.
- The phase-in process reduces total income to the fund. An estimated net reduction of \$109.6M for CY 1997 would be realized as a result of the phase-in.

	<u>Income</u>
No phase-in	\$207.9M
With phase-in	\$98.3M

Measures Enacted To Maintain Fund Solvency

- A moratorium on tax rates for 1996 will be allowed only if levels of the trust fund are safe.

K.S.A. 44-710a(e)...The secretary of human resources shall annually prepare and submit a certification as to the solvency and adequacy of the amount credited to the state of Kansas' account in the federal employment security trust fund to the governor and the employment security advisory council....

UNEMPLOYMENT INSURANCE TAX MORATORIUM SURVEY

SUMMARY OF RESULTS

Total mailing	171
Total response	51
 Was the tax saving utilized by:	
 1. Adding additional employees?	
Number of employers	14
Number of employees added	160
 2. Purchase of additional equipment?	
Number of employers	30
 3. Acquisition of additional property or leased/rental space?	
Number of employers	8
 4. Firm expansion or relocation?	
Number of employers	11
 5. Other uses? If yes, please explain.	
Number of employers	<u>18</u>
 Other uses reported include:	
Increased employee pay or benefits. Number of employers	7
Offsetting other operating or increased costs. Number of employers	6
Product development. Number of employers	1
Miscellaneous. Number of employers	4

**HOW WERE THE MORATORIUM SAVINGS USED?
COMMENTS FROM SELECTED EMPLOYERS**

KSQ Blowmolding of Winfield, Kansas
Estimated savings - \$60,000 - Profit sharing

"Although we appreciated the moratorium, I would have preferred reducing rates to make it last longer. As it is, we will have a significant increase in 1997 overhead structure." Gregory N. Thompson

WSM Contractors, Inc. of Kansas City, Kansas
Estimated savings - \$6,000 - Raises to employees

"This moratorium allowed us to pay other debts. We are a small business only four years old. Any money that we do not have to pay out is a big plus." Sharon Masingale

Prestige Laundry, Inc. of Garden City, Kansas
Estimated savings - \$720

"We are in the process of adding a new location. This savings is not the whole answer for us, but it helps. Having government not take money is wonderful and beneficial to all." Keith R. Collins

C & C Climate Control, Inc. of McPherson, Kansas
Estimated savings - \$2,000

"We very much appreciate efforts to reward those companies that make honest efforts to provide permanent employment opportunities." Don Sloup

Horizons Inc. of Junction City, Kansas
Estimated savings - \$6,500

"Anytime a tax or expense is removed or reduced it helps a small business. It gives much more incentive to grow and invest money." Harold Johnson

Gary Gilbert Inc., dba Midas, of Topeka, Kansas
Estimated savings - \$30,000 - Employer matching contributions in 401K plans

"The moratorium was a breath of fresh air in the midst of the escalating costs of doing business. Thank you." Gary Gilbert

WIFCO Steel Products, Inc. of Hutchinson, Kansas
Estimated savings - \$2,000 - Hire new employees

"Any legislation which reduces the cost of hiring an employee is a positive step. I suggest property tax credits tied to the number of employees." Rob L. Howell

Raven Enterprises, Inc., Taco Tico, of Wichita, Kansas
Estimated savings - \$48,000 - Open new facility and new employees

"I really appreciate it, we are a small company..." Kevin F. Raven

Johnson County Board of Realtors of Overland Park, Kansas
Estimated savings - not provided - offset other increased costs

"Responsible legislation. Rewards those that have a good record." Joanne Arnold

Midwest Telephone Service, Inc. of McPherson, Kansas
Estimated savings - \$1,500 - additional equipment

"It was refreshing to see HB 2305 passed by the legislature, as it is a benefit to small businesses, such as ours. Other bills such as these would help allow small businesses to prosper in somewhat difficult economic times." Jerry Andrews

Dugan Equipment & Supply Co., Inc. of Kansas City, Kansas
Estimated savings - \$6,000 - additional employees and additional property/rental space

"Any reduction in taxes for a small business helps operating capital." Robert H. Dugan

Other comments from employers not wishing to be identified.

"It makes businessmen feel here is somebody out there who cares!"

"I'm pleased that our Kansas government is careful enough to save funds like this and return them."

"It is nice to save wherever possible!"

"The savings have been spread across many areas. I appreciate this legislation, as over funding does not make sense."

"Help keep the doors open, one less expense each month."

1/10/06

A Presentation on Workers' Compensation Insurance Loss Cost Presented by Bill
Wempe, Kansas Insurance Department, to the House of Representatives Commerce and
Labor Committee

January 18, 1996

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Attachment 4*

WORKERS' COMPENSATION LOSS COST

Several years ago, there was a perception by the general public that rates filed with the Insurance Department by a rating organization such as the NCCI or ISO may not be in the best interest of the general public and could reduce competition. Because of this perception, the National Association of Insurance Commissioners (NAIC) recommended that a rating organization should not be allowed to continue filing "final rates" with the Insurance Department. Since 1990, the loss cost procedure has gradually been implemented on most lines of insurance. By regulation, the National Council on Compensation Insurance was required to file the initial Workers' Compensation Insurance loss cost filing for any rates that were effective on or after July 1, 1994. Consequently, the NCCI submitted the initial loss cost filing in February, 1995 and was effective June 1, 1995.

The previous "final rates" submitted to our office by the NCCI was a combination of the amount of losses or claims paid by insurance companies as well as the insurance company expenses. The change from this procedure to a loss cost procedure permits a rating organization such as the NCCI to file with the insurance department only the loss cost portion of the rate. (This is the amount which insurance companies use to pay losses and loss adjustment expense.) The remainder of the rate would be the expense portion

and this amount is filed with the insurance department by each individual insurance company and would be representative of their expenses and profit in writing workers' compensation in Kansas. This figure is called a loss cost multiplier. Based on the 1994 "final rates" submitted to the insurance department by the NCCI, losses were approximately 70% of the premium dollar and expenses approximately 30% of the premium dollar. Under the new loss cost procedure, the loss cost portion of the rates filed by the NCCI still represents approximately 70% of the premium. The expense portion filed by each individual insurance company could vary depending on each insurance company's own expenses in providing Workers' Compensation insurance to Kansas employers.

The effect of using the loss cost procedure has an administrative effect on the insurance department to the extent that additional filings will be submitted to our office by approximately 435 insurance companies. The first Workers' Compensation Insurance Loss Cost filing was submitted to our office on May 26, 1995 and since that time we have received 263 filings and of these filings they have all been reviewed and we have approved 246. These filings represent approximately 98% of the Workers' Compensation premium written in Kansas. The insurance companies must adequately justify and support to our office the expense factor which they want to use in Kansas. Such expense factor or loss cost multiplier presents the greatest competitive issue in the loss cost rating

procedure since it has a direct effect on the premium paid by the employer. It is anticipated that the Insurance Commissioner will continue to request an independent actuary to review the NCCI's annual loss cost filing which during the last few years has been submitted in February with a proposed effective date of June 1.

A procedural change which would probably cause difficulty or problem to the employer or the insurance agent would be related to how easy the "final rates" can be obtained from the insurance department. For example, prior to the 1995 loss cost filing, a request by the employer or agent to our office for the trucker's rate was very simple. We could refer to the NCCI rate pages for the final rates and such rate would be used by every insurance company. Under the loss cost procedure we can ultimately still provide the same information; however, we would need to know the specific insurance company for which the information is requested. The Insurance Department could then multiply the NCCI Loss Cost with the insurance company expense factor (a loss cost multiplier) in order to determine the final rate for a specific classification of an employee.

In previous years, only one Workers' Compensation rate filing per year was permitted. However, Commissioner Sebelius has advised the insurance industry that under the Loss Cost procedure they can submit to the insurance department as many Loss Cost multipliers as they can justify or support. Most insurance companies have advised our

office that they probably would not submit more than two or three filings per year. The NCCI would still, however, continue to submit only one loss cost filing with the insurance department.

Since Workers' Compensation Loss Costs have been effective in Kansas just since June 1, 1995, it is probably premature to indicate the success of loss costs in reducing the employers premium or increasing competition among insurance companies. The loss cost procedure is being used in the voluntary market as well as the assigned risk plan.

Attached is a brief history of Workers' Compensation insurance rates in Kansas.

WORKERS' COMPENSATION RATE HISTORY

	<u>Amount Requested</u>		<u>Amount Approved</u>
*1995	-5%	Voluntary	-6.9%
	-8.5%	Assigned Risk	-8.5%
1994	-0.3%		-2.0%
1993	+21.3%		+3.9%
1992	+31.4%		+21.7%
1991	+30.9%		+24.0%
1990	+22.6%		+ 5.6%

*This is the first loss cost filing and voluntary and assigned risk rates filed separately